

FINANCIAL DISCUSSION AND ANALYSIS

NSF is committed to excellence in financial management. We strive to provide our stakeholders with the highest quality of business services. We honor that commitment by preparing annual financial statements in accordance with United States general accepted accounting principles (GAAP) for federal government entities and subjecting the statements to an independent audit to ensure their integrity and reliability in assessing the performance. For FY 2005, NSF received an unqualified opinion that the financial statements were fairly stated in all material respects. The FY 2005 Auditors' Report includes two reportable conditions: post-award monitoring and contract monitoring. In resolving all FY 2004 post-award monitoring corrective action plan recommendations, management believes that NSF has mitigated the possibility of a significant deficiency that could adversely affect our ability to record, process, summarize and report financial data. With regard to contract monitoring, significant progress has been made and we will continue to pursue corrective action. For further discussion, see management's response on page III-17.

NSF's CFO Five-Year Financial Management Plan supports the President's Management Agenda (PMA) by establishing key components to accomplish our financial management strategic vision. These components are: efficient stewardship and accountability to maximize the public resources provided to NSF; quality business services for our external and internal customers; efficient delivery of operations, transactions and outreach through e-systems; new and improved business practices through the development of constructive partnerships; and proactive leadership in all endeavors.

Understanding the Financial Statements

NSF's FY 2005 financial statements and notes are presented in the format required for the current year by *OMB Circular No. A-136, Financial Reporting Requirements* dated August 23, 2005, which supercedes, *OMB Bulletin No. 01-09, Form and Content of Agency Financial Statements*, dated September 25, 2001, and OMB memoranda, specifically *M-04-20, FY 2004 Performance and Accountability Reports and Reporting*, dated July 22, 2004. NSF's current year financial statements and notes are presented in a comparative format. The Stewardship Investment schedule presents information over the past five years. The following table (*Figure 11*) summarizes the significant changes in NSF's financial position during FY 2005.

Figure 11.

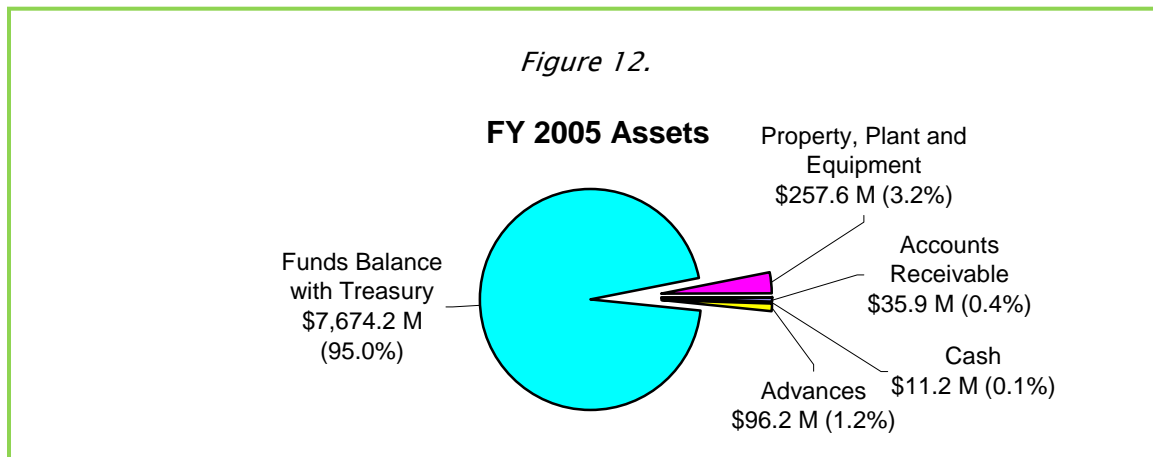
Significant Changes in NSF's Financial Position in FY 2005

(dollars in thousands)

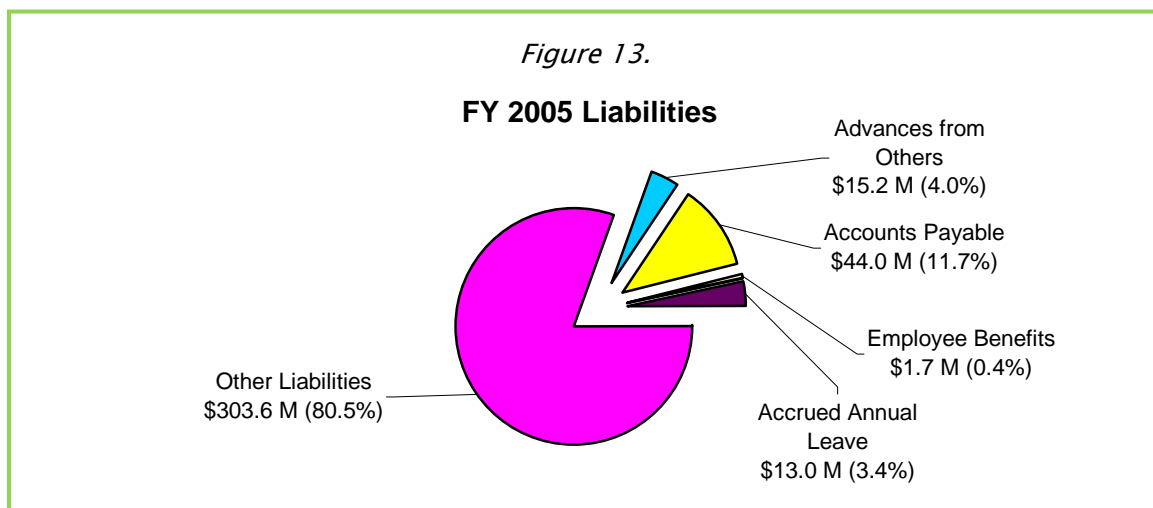
Net Financial Condition	FY 2005	FY 2004	Increase/ (Decrease)	% Change
Assets	\$8,075,059	\$7,929,034	\$146,025	2%
Liabilities	\$377,543	\$396,113	(\$18,570)	-5%
Net Position	\$7,697,516	\$7,532,921	\$164,595	2%
Net Cost	\$5,408,174	\$5,100,143	\$308,031	6%

The following is a brief description of the nature of each required financial statement and its relevance. Certain significant balances or conditions are explained to help clarify their relationship to NSF operations.

Balance Sheet: The Balance Sheet presents the total amounts available for use by NSF (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position). Three line items consisting of *Fund Balance with Treasury*; *Property, Plant and Equipment*; and *Advances* represent 99 percent of NSF's current year assets (*Figure 12*). *Fund Balance With Treasury* is funding available through the Department of Treasury accounts from which NSF is authorized to make expenditures and pay amounts due. *Property, Plant and Equipment* comprises capitalized property located at NSF headquarters and NSF-owned property in New Zealand and Antarctica that supports the U.S. Antarctic Program (USAP). *Advances* are funds advanced to NSF grantees, contractors, and other government agencies.

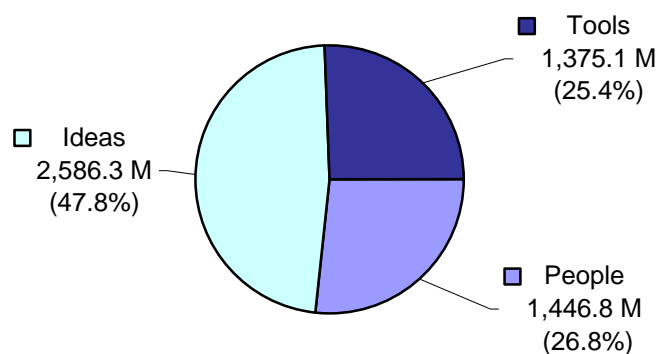


Three line items, *Advances From Others*, *Accounts Payable*, and *Accrued Liabilities (Other Liabilities)* represent 96 percent of NSF's current year liabilities (*Figure 13*). *Advances From Others* are amounts remaining from funds advanced to NSF by other federal entities for grant administration. NSF maintains the expertise and automated systems for the administration of research grants upon which other federal entities rely. *Accounts Payable* includes liabilities to NSF vendors for unpaid goods and services received. *Accrued Liabilities* are amounts recorded for NSF's grants and contracts for which work has been completed and payment has not been made.



Statement of Net Cost: This statement presents the annual cost of operating NSF programs. Gross cost less any offsetting revenue for each NSF program is used to arrive at the net cost of specific program operations. *Intragovernmental Earned Revenues* are recognized when these related program or administrative expenses are incurred and deducted from the full cost of the programs to arrive at the net cost of operation. In FY 2005, the *Statement of Net Cost* was reordered to reflect the current presentation order of NSF's strategic goals. The *Statement of Net Cost* reflects programmatic changes that were made in FY 2005, including an update to the principles for classifying NSF's Centers program and re-categorization of several activities under the *People* goal. The increase in Polar Tools, Facilities and Logistics reflects the activity associated with construction of the South Pole Station Modernization Project.

Figure 14.

FY 2005 Net Cost

Note: Included in *Ideas*, *Tools*, and *People*, is approximately 5 percent of NSF's Salaries & Expenses, National Science Board and the Office of the Inspector General costs that are the administration and management costs addressed by NSF's Organizational Excellence strategic goal.

Approximately 95 percent of all current year NSF costs incurred were directly related to the support of our *Ideas*, *Tools*, and *People* programs (Figure 14). Costs were incurred for indirect general operation activities (e.g., salaries, training, activities related to the advancement of NSF information systems technology, and activities of the NSB and the OIG). These costs were allocated to NSF's investment categories under *Ideas*, *Tools*, and *People*, and account for slightly more than 5 percent of the total current year *Net Cost of Operations*. These administrative and management activities are the focus of our *Organizational Excellence* strategic goal.

Statement of Changes in Net Position: This statement presents the accounting items that caused the net position section of the Balance Sheet to change from the beginning to the end of the reporting period. NSF's Net Position increased to \$7.7 million in FY 2005—an increase of 2 percent—due to the increase in *Unexpended Appropriations*. *Unexpended Appropriations* is affected mainly by *Appropriations Received* and *Appropriations Used*, with minor impact from *Appropriation Transfers* from the U.S. Agency for International Development (USAID) and *Other Adjustments*, which include appropriation rescissions and cancellations.

Statement of Budgetary Resources: This statement provides information on how budgetary resources were made available to NSF for the year and the status of those budgetary resources at year-end. For FY 2005, *Budgetary Authority* for Research and Related Activities, Education and Human Resources, Major Research Equipment and Facilities Construction, the combined National Science Board, OIG and Salaries & Expenses were \$4,255 million, \$848 million, \$175 million and \$239 million, respectively. *Total Budgetary Resources* decreased by 2.52 percent and *Net Outlays* increased by 6 percent in FY 2005. The *Net Outlays* reported on this statement reflects the actual cash disbursed for the year by Treasury for NSF obligations; it is reduced by the amount of Donation Fund receipts, to include donations and interest received by NSF.

Statement of Financing: This statement illustrates the relationship between *Net Obligations* derived from NSF's budgetary accounts and the *Net Cost of Operations* reported on the *Statement of Net Cost*, which is derived from NSF's proprietary accounts. The statement is structured to first identify total resources classified by obligations, and then other adjustments are made to those resources based on how additional items financed those resources or contributed to net cost. *Total Resources Used to Finance Activities* are only resources that have been obligated and are derived from information provided on the Statement of Budgetary Resources. *Total Resources Used to Finance Items Not Part of Net Cost of Operations* consists mainly of an adjustment to undelivered orders of the agency that are reflected in net obligations but not part of *Net Cost of Operations*. *Components Requiring or Generating Resources in Future Periods* adjusts for future funded expenses that are recognized in *Net Cost of Operations* but resources will not be provided until subsequent periods.

Stewardship Investments: Stewardship investments are NSF-funded investments that yield long-term benefits to the general public. NSF investments in research and education yield quantifiable outputs, including the number of awards made and the number of researchers, students, and teachers supported or involved in the pursuit of discoveries in science and engineering and in science and math education. Stewardship investments from FY 2004 to FY 2005 showed consistent incremental increases in research and human capital activities in support of NSF's overall mission as reported in monetary investments and measured outputs.

Budgetary Integrity: NSF Resources and How They Are Used

NSF is funded primarily through six Congressional appropriations that totaled \$5.5 billion¹⁹ in FY 2005. As of September 30, 2005, other FY 2005 revenue sources included \$111.8 million in reimbursable authority, \$9.7 million in appropriation transfers from other federal agencies, and \$31.2 million in donations to support NSF activities.

As shown in the Statement of Net Cost, NSF made investments in fundamental research and education through ten investment categories linked to the agency's three mission-oriented strategic outcome goals of *Ideas, Tools, and People*.²⁰ These investment categories, together with NSF's priority areas, constitute the agency's PART programs. The investment categories are: Individuals, Institutions; Collaborations; Fundamental Science and Engineering; Centers;

¹⁹ Includes a governmentwide 0.80 percent rescission, an across-the-board reduction required in Division J (I) Miscellaneous Provisions and Offsets, section 122(a) of the FY 2005 Consolidated Appropriations Act.

²⁰ See page I-15 for a discussion of NSF's fourth strategic goal of *Organizational Excellence*, which focuses on the agency's administrative and management activities.

Capability Enhancement; Large Facilities; Infrastructure and Instrumentation; Polar Tools, Facilities, and Logistics; and Federally Funded Research and Development Centers. NSF provided support across the full range of science and engineering disciplines. In addition, we funded research in four key multidisciplinary priority areas: Biocomplexity in the Environment, Nanoscale Science and Engineering, Mathematical Sciences, and Human and Social Dynamics. NSF supported education activities for students and teachers from pre-K through the post-doctoral level. Among major research facility projects supported were EarthScope, a distributed geophysical instrument array that will enhance our understanding of the structure and dynamics of the North America continent and the IceCube Neutrino Detector Observatory in Antarctica.

At the time of this report, NSF had not yet received its FY 2006 appropriations. For FY 2006, in keeping with efforts to promote fiscal responsibility across the government, NSF will focus on four priorities: strengthen core disciplinary research; provide broadly accessible cyberinfrastructure and world-class facilities; broaden participation in the science and engineering workforce; and sustain organizational excellence in NSF management practices. During the coming year, we will also focus on four additional themes: crosscutting areas of emerging opportunity to support interdisciplinary endeavors that hold exceptional promise for advancing knowledge and addressing national priorities; international collaborations that are critical in today's global science and engineering community; interagency initiatives such as the Climate Change Science Program; and homeland security activities.

Improper Payments Information Act of 2002: Summary of Initiative Efforts, Results, and Agency Plans

The Improper Payments Information Act (IPIA) of 2002 and OMB guidance requires agencies to review all programs and activities, identify those susceptible to significant erroneous payments, and determine an annual estimated amount of erroneous payments made in those programs.

In support of our implementation of the PMA initiative on improper payments, we conducted a risk assessment of NSF payments in accordance with IPIA guidance. The risk assessment confirmed NSF's "Research and Education Grants and Cooperative Agreements" program (NSF's IPIA program), identified in former Section 57 of OMB Circular No. A-11, as requiring review and meeting IPIA reporting thresholds of erroneous payments over \$10 million and 2.5 percent of program payments.

NSF's 2004 initial response to the IPIA requirements was directed to awards already identified as high-risk through our pre-existing Award Monitoring and Business Assistance Program. In FY 2005, we revamped our Improper Payments Plan and implemented a process to ensure improper payments testing for NSF's IPIA program portfolio.

NSF contracted with McBride, Lock, and Associates, Certified Public Accountants, to conduct an annual statistical review of NSF's Federal Cash Transaction Report (FCTR) transactions received from grant recipients. Management Analysis, Inc. (MAI) conducted the statistical sample determination under a subcontract agreement with McBride, Lock, and Associates. NSF staff in the Division of Financial Management and Division of Institution and Award Support worked closely with both contractors to create a milestone chart, develop sampling plans, and ensure ongoing grantee communication throughout the review.

The contractors sampled the universe of all FCTR transactions in NSF's IPIA program from the quarter ending December 31, 2003, through the quarter ending September 30, 2004. The sample encompassed each of the quarterly transactions for each grantee. FCTR transaction data analyzed was selected randomly from the entire universe. The results of the review and the extrapolation of results to the \$4.2 billion universe of NSF's IPIA program payments determined IPIA rates of 0.0248 percent or \$1.05 million. NSF's results are well below the \$10 million IPIA Act requirement for reduction plan reporting.

NSF's electronic process for cash draws and FCTR payments is highly automated and accurate. Our grant payment process in paying eligible grant recipients has been near perfect—99.9 percent—for many years and is one of the most accurate in government. Therefore, our IPIA initiative focuses on the awardees' proper use of taxpayer funds. These statistically favorable results demonstrate the effectiveness of NSF's end-to-end award management process.

As the lead research grant-making agency participating in the IPIA initiative, NSF encountered challenges in developing an appropriate plan for sampling FCTRs. This year we overcame the challenges and implemented a successful IPIA assessment program for grantees. The combination of contractor and internal resources provided a knowledgeable team. NSF will continue its successful IPIA program in the future and will discuss results and our inclusion in future reporting requirements with OMB. Additional detailed information is provided in *Appendix 5A*.

Financial System Strategy

The goal of our financial management team has always been to provide the highest quality of business services to our customers, stakeholders, and staff through effective funds control, prompt and streamlined award processes, and reliable and timely financial data to support sound management decisions. Our Financial Accounting System (FAS) enables us to achieve these goals. Introduced in April 2001, FAS is an online, real-time custom developed system that provides the full spectrum of financial transaction functionality required by a grants-making agency. FAS allows NSF to consistently meet financial reporting deadlines, helps ensure FFMIA compliance, and provides accurate, on-demand financial information to NSF staff. The system includes extensive reporting capabilities to assist in verifying funds throughout the fiscal year.

FAS is extensively integrated with all of NSF's core business systems, including the Proposal and Reviewer System (PARS), the Awards System, Guest (panelists) Travel System, and the FastLane System that supports grants management. FAS is used to monitor, control, and ensure the management and financial accountability of approximately 20,000 active awards with more than 2,000 external grantees. FAS distributes funds electronically to grantees in a seamless and highly controlled environment. Grantees can check available funds in real time on a daily basis. The extensive reporting capabilities built into the software include daily, weekly, monthly, and quarterly reports, which provide up-to-date financial information about NSF operations for program and grantee decision support. All FAS-generated reports are posted electronically and are available to staff via Report.web. Information from FAS is captured and used in our Enterprise Information System reporting. FAS is custom software that was developed and is maintained by NSF to support our extensive grant-making enterprise.

FAS, which was recently updated, is remarkably stable and reliable. Funding support for the system enables NSF to meet interface and integration requirements of any governmentwide initiatives (e.g., e-Travel, CCR/BPN, e-Learning, GWA-TAS/BETC); to adopt new legislative,

regulatory, and policy requirements as they are promulgated; and to implement required technical upgrades. FAS supports both the grant and core financial processes. Consistent with NSF's eGovernment Implementation Plan, NSF does not anticipate development of any substantive FAS capability (steady-state) for the next several years. During this time frame, NSF will conduct reviews of both the grants management and financial management requirements, assess the status and capabilities of the governmentwide line of business initiatives, and define a comprehensive plan for addressing next generation grants and financial management priorities.

Key Financial Metrics

The information presented in this section relates certain key financial measures of NSF's core business of awarding grants and our progress in associated electronic processes. We have an established record of success in leveraging automation to increase efficiency and productivity. In FY 2004, the Department of Treasury inaugurated a Financial Management Service Scorecard, which issues quarterly ratings (Figure 15). NSF has consistently received the highest "Green" ratings for accuracy and timeliness of our financial reporting.

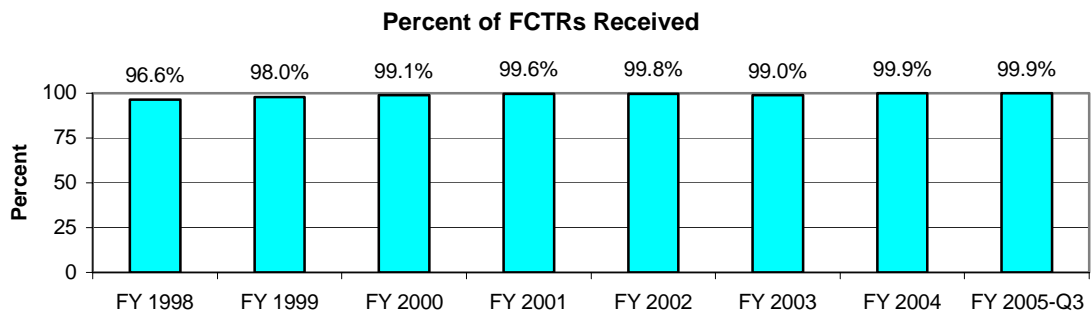
<p align="center"><i>Figure 15.</i></p> <p align="center">U.S. Department of Treasury Financial Management Scorecard</p>		
Category	Standard	Results (as of 6/30/05)
Accuracy of Reporting*	Green: If differences outstanding for less than 3 months.	●
Timeliness of Reporting*	Green: If original and supplemental reporting completed by the third workday.	●
Cash and Investments Held Outside of the Treasury (CIHO) Reporting**	Green: If no differences between CIHO activity reported monthly (via 224, 1218/1221 and 1219/1220) and quarterly/annual financial statements.	N/A
<p>● Green</p> <p>* FMS 224, SF1218/1221 and FMS 1219/1220.</p> <p>** NSF does not have CIHO accounts.</p>		

Figures 16 and 17 focus on the FCTR process, a key part of NSF's core grant business. In FY 1998, we developed FastLane, a secure, web-based application that enables grantees to electronically transmit their FCTR (SF 272) reports. By FY 2000, nearly 100 percent of NSF grantees were submitting FCTR reports through FastLane and this trend continues.

Figure 18 provides the CFO Metrics Tracking System (MTS) Scorecard for June 2005, the most recent data available. The MTS, sponsored by the CFO Council Committee on Performance Measurement, provides monthly details on core financial metrics across government. Since MTS was launched in January 2005, NSF has had the highest scores of any government agency. MTS scorecards and information are available at www.fido.gov/mts/cfo/public/200506/.

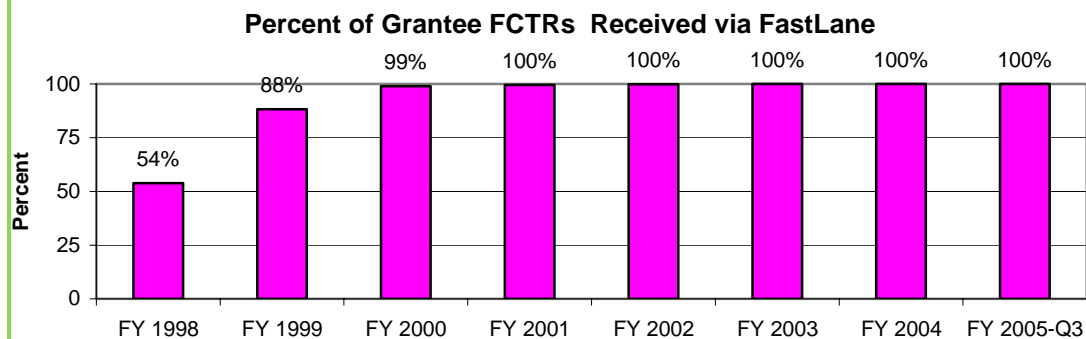
Figure 19 provides information on Treasury's Taxpayer Identification Number (TIN) compliance for August 2005. In 2005, the Department of Treasury began reporting TIN compliance and requesting corrective action by agencies that were not reaching a 95 percent threshold.

Figure 16.



NSF grantees can use FastLane to transmit Federal Cash Transaction Reports (FCTRs). As a result, nearly 100 percent of grantees submit their FCTRs.

Figure 17.



NSF receives nearly 100 percent of grantee FCTRs through FastLane.

Figure 18.

**CFO COUNCIL METRIC TRACKING SYSTEM
FINANCIAL MANAGEMENT INDICATORS**










Indicator	Definition	Standard	Data through 6/30/05
1. Fund Balance with Treasury (Net)	Identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger on a net basis.	Green: fully successful <= 2% Yellow: minimally successful > 2% - <= 10% Red: unsuccessful > 10%	 GREEN 0.0%
2. Amount in Suspense (Absolute) Greater than 60 Days Old	The timeliness of clearing and reconciling suspense accounts. This metric is reported quarterly.	Green: fully successful <= 10% Yellow: minimally successful > 10% - <= 20% Red: unsuccessful > 20%	 GREEN 0.0%
3. Delinquent Accounts Receivable from Public Over 180 days	The success in reducing or eliminating delinquent accounts receivable from the public. This metric is reported quarterly.	Green: fully successful <= 10% Yellow: minimally successful > 10% - <= 20% Red: unsuccessful > 20%	 GREEN 3.63%
4. Electronic Payments	The number of electronic payments measures the extent to which vendors are paid electronically.	Green: fully successful >= 96% Yellow: minimally successful >= 90% - < 96% Red: unsuccessful > < 90%	 GREEN 99.84%
5a. Percent Non-Credit Card Invoices Paid on Time	How many non credit card invoices are paid on time in accordance with the Prompt Payment Act (PPA).	Green: fully successful >= 98% Yellow: minimally successful >= 97% - < 98% Red: unsuccessful < 97%	 GREEN 98.00%
5b. Interest Penalties Paid	The amount of interest penalties paid on late invoices relative to total dollars paid in accordance with the PPA.	Green: fully successful <= 0.02% Yellow: minimally successful > 0.02% - <= 0.03% Red: unsuccessful > 0.03%	 GREEN 0.0012%
6a. Travel Card Delinquency Rates Individually Billed Account (IBA)	The percent of travel card balances outstanding over 61 days for Individually Billed Accounts (IBA).	Green: fully successful <= 2% Yellow: minimally successful > 2% - <= 4% Red: unsuccessful > 4%	 YELLOW 2.31%
6b. Travel Card Delinquency Rates Centrally Billed Account (CBA)	The percent of travel card balances outstanding over 61 days for Centrally Billed Accounts (CBA).	Green: fully successful = 0% Yellow: minimally successful > 0% - <= 1.5% Red: unsuccessful > 1.5%	 GREEN 0.00%
6c. Purchase Card Delinquency Rates	The percent of purchase card balances outstanding over 61 days.	Green: fully successful = 0% Yellow: minimally successful > 0% - <= 1.5% Red: unsuccessful > 1.5%	 GREEN 0.00%

Figure 19.

Taxpayer Identification Number (TIN) Compliance

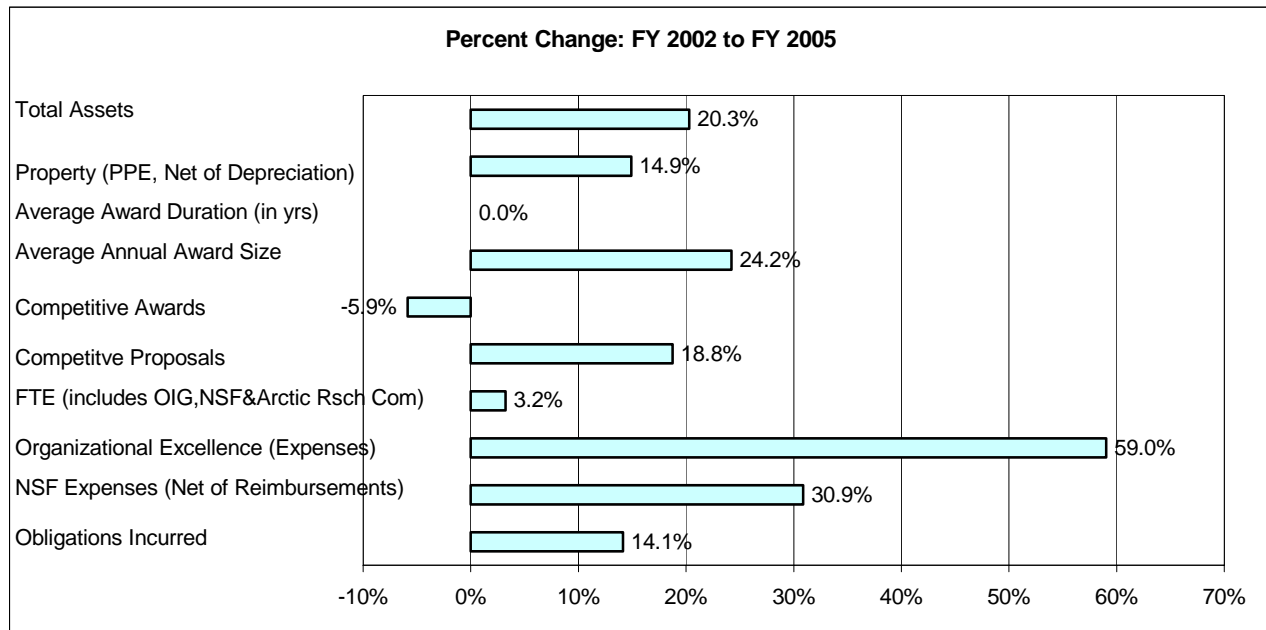
Total Monthly Payment Volume	Number of Payments with Invalid TINs	Number of Payments with Valid TINs	Percent of TIN Compliance as of 8/31/05
4,317	15	4,302	99.65%

Figure 20.
Recent Trends

The following table summarizes several of NSF's key workload and financial indicators. From FY 2002 to FY 2005, NSF's obligations, expenses, and administrative and management costs increased. In spite of this, the number of competitive awards has continued to decrease as NSF sought to maintain award size and duration. Staffing has finally begun to increase to address a long-standing workload problem. NSF's total assets increased mainly due to the multi-year Antarctic South Pole Station modernization project that is nearing completion, which is reflected in our increase in Property, Plant and Equipment.

(dollars in millions)

	FY 2002	FY 2003	FY 2004	FY 2005	%Change FY 02-05
Obligations Incurred	\$4,953.64	\$5,578.64	\$5,870.72	\$5,653.90	14.1%
NSF Expenses (Net of Reimbursements)	\$4,132.27	\$4,707.77	\$5,100.14	\$5,408.17	30.9%
Organizational Excellence (Expenses)	\$183.89	\$196.36	\$268.30	\$292.43	59.0%
FTE (includes OIG, NSB & Arctic Rsch Comm)	1,239	1,242	1,274	1,279	3.2%
Competitive Proposals	35,164	40,075	43,851	41,760	18.8%
Competitive Awards	10,406	10,844	10,380	9,794	-5.9%
Average Annual Award Size	\$115,666	\$135,609	\$139,637	\$143,669	24.2%
Average Award Duration (in yrs)	2.9	2.9	2.9	2.9	0.0%
Property (PP&E, Net of Depreciation)	\$224.14	\$230.78	\$240.44	\$257.56	14.9%
Total Assets	\$6,713.15	\$7,424.92	\$7,929.03	\$8,075.06	20.3%



Future Business Trends and Events

NSF is continuously evolving as we address new priorities and meet new challenges. The future will require a continued concentration on management excellence through increased attention on specific, financial operations issues. For example, the PMA and other new administrative policy initiatives mandate that NSF, like other agencies, demonstrate consistent results and progress in improving financial management practices. NSF, although continuing to receive high marks from OMB and the financial community, must engineer constant improvements to adapt to changing management and policy initiatives. We are also committed to leveraging technology to improve service to stakeholders. In addition, we proactively address management challenges identified through internal review and oversight. In the following section, we describe some of the areas we will focus on in both the immediate future and the long term.

OMB Circular A-123: NSF is proactively preparing to meet all requirements of revised *OMB Circular A-123, Management's Responsibility for Internal Control*. Preparations include internal organizational assessments and contracting with an experienced consulting firm that provides training expertise and experience in assessing entity and financial reporting control adequacy, including information technology assessments. We will use the results of a gap analysis to develop our FY 2006 compliance sustainment activities. We have initiated the following action plan to comply with the new requirements: (1) organization structure review, (2) financial reports review, (3) materiality determination, (4) identification of key business processes, (5) integration of internal control baseline activities, (6) development of a testing plan, and (7) determination of documentation standards. Senior Management will use Appendix A of the circular to review and strengthen controls over financial reporting.

E-Travel: NSF is a leader in implementation of the President's E-Travel initiative. We selected the EDS FedTraveler, one of three government-wide approved systems, to provide our travelers with an integrated web-based travel system. In FY 2005, we were not able to fully implement FedTraveler because EDS could not deliver a fully operational system as scheduled. FedTraveler has fallen short of EDS representations and NSF's expectations. As a result, NSF lacks several capabilities of an efficient and integrated system to enhance travel management. We have conveyed our concerns to GSA and EDS, and are currently evaluating a corrective action plan from EDS. The plan is designed to ensure full implementation, provide options, and assess the impact on NSF's travel and financial processes.

Credit Worthiness: The FY 2004 Omnibus Appropriations Act requires agencies to conduct a credit worthiness assessment prior to issuing a government purchase card or government travel card. OMB issued *Circular A-123 Appendix B: Improving Management of Government Charge Card Services* (August 9, 2005). NSF has not fully assessed the guidance and its impact on travel card and purchase card use. Some potential implementation issues include timing of implementation (October 1, 2005), revising processes and procedures, training and communication, monitoring and recordkeeping, union negotiation, and costs.

Limitations of the Financial Statements

In accordance with *OMB Circular No. A-136, Financial Reporting Requirements*, we are disclosing the following limitations of NSF's FY 2005 financial statements, which are contained in NSF's *FY 2005 Performance and Accountability Report*. The financial statements have been prepared to report the financial position and results of operations of NSF, pursuant to the

requirements of 31 U.S.C. 3515(b). While the statements have been prepared from NSF's books and records in accordance with U.S. generally accepted accounting principles (GAAP) for federal entities and the format prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.